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DEC 2 8 2004 12/27 LOCAL AUDIT & FINANCE DIV.

CITY OF ZILWAUKEE

Saginaw County, Michigan
73-2030

FINANCIAL STATEMENTS

June 30, 2004



Milchigan Deptartment of Treasury 498 (2-04) Auditing Procedures Report Issued under P.A. 2 of 1968, as amended.

Local Gove	ernment Typ	е	p Village	Other	Local Governme	ant Name		County	SINAW
Audit Date 6/30/04			Opinion : 9/30/0			Date Accountant Report St 12/27/04	ibmiffed to State:	<u> </u>	
accordan Financial	ce with t Statemer	he S	Statements of	the Govern	imental Accou	government and rende enting Standards Boar ont in Michigan by the N	d (GASB) and	the Uniform	tatements prepared in Reporting Format for ury.
We affirm								Г	RECEIVED
1. We h	iave comp	olied	with the Bullet	in for the Au	idits of Local U	Inits of Government in	Michigan as revis	sed.	DEPT. OF TREASURY
2. We a	ire certifie	d pu	iblic accountant	ts registered	to practice in	Michigan.		-	DEC 2 8 2004
We furthe	er affirm th s and rec	ne fo omn	llowing. "Yes" r nendations	responses h	ave been discl	losed in the financial si	tatements, Includ		, or in the report of LOCAL AUDIT & FINANCE DI
You must	check the	app	olicable box for	each item b	elow.			L.	
Yes	√ No	1.	Certain comp	onent units	funds/agencie:	s of the local unit are e	xcluded from the	financial sta	atements.
√ Yes	∏ No	2.			deficits in one	or more of this unit's PAGE 12	unreserved fund	balances/rei	tained earnings (P.A.
Yes No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).									
Yes Vo 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.									
Yes No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).									
Yes	√ No	6.	The local unit	has been d	elinquent in dis	stributing tax revenues	that were collect	ed for anothe	r taxing unit.
Yes	✓ No	7.	pension benef	fits (normal	costs) in the o	utional requirement (A current year, if the pla quirement, no contribu	n is more than 1	100% funded	and the overfunding
Yes	√ No	8.	The local unit (MCL 129.241		it cards and h	as not adopted an ap	oplicable policy a	as required b	by P.A. 266 of 1995
Yes	√ No	9.	The focal unit	has not ado	pted an invest	ment policy as required	d by P.A. 196 of	1997 (MCL 1	29.95).
We have	enclosed	the	following:				Enclosed	To Be Forwarde	Not ed Required
The letter	of commi	ents	and recommer	ndations.			√		
Reports or	n individu	al fe	deral financial a	assistance _l	orograms (prog	ram audits).		<u> </u>	√
Single Audit Reports (ASLGU).						✓			
Certified Pub			irm Name) OMPANY, CP	'As					
Street Addre	56			•		City		State Mi	ZIP AREN3
Accountant Signature SAGINAW MI 48603 Date 12/27/04									

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INDEPENDENT AUDITORS' REPORT

To the City Council City of Zilwaukee, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Zilwaukee, Michigan as of and for the year ended June 30, 2004, which collectively comprise the City of Zilwaukee's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Zilwaukee's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

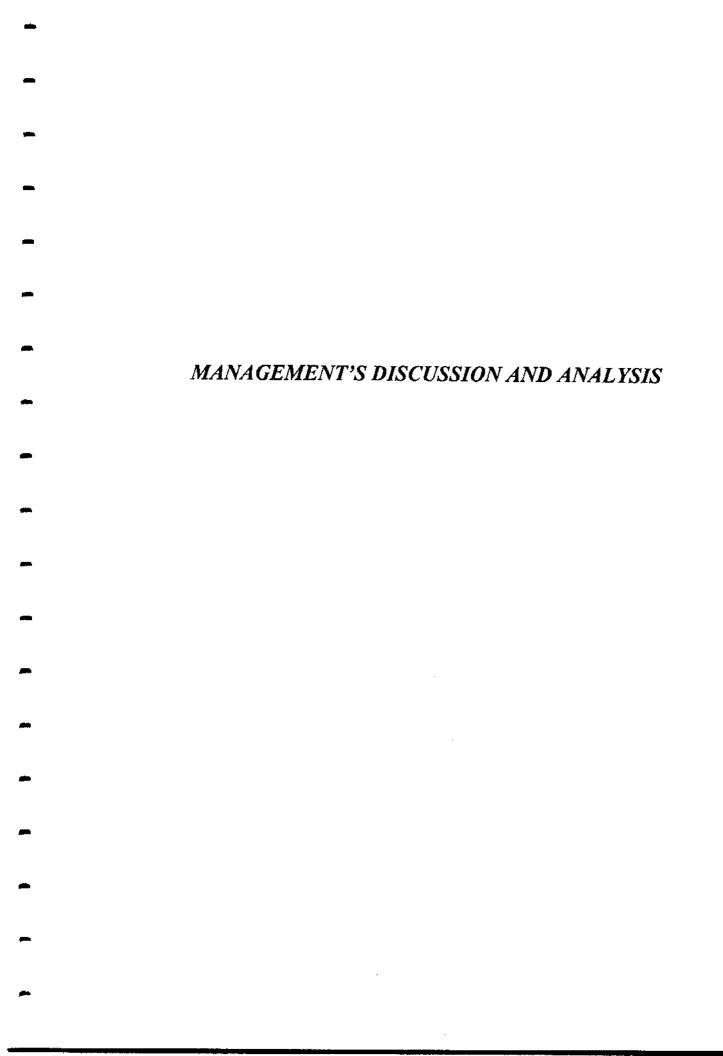
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Zilwaukee, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Zilwaukee's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and related statements, as of July 1, 2003.

Batthiaume & Co September 30, 2004



Overview of the Financial Statements:

The 2004 financial statements of the City of Zilwaukee follow a different format than in previous years. These financial statements have been changed to comply with the reporting requirements of the Government Accounting Standards Board Statement No. 34. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's status. The remaining statements are fund financial statements that focus on individual parts of the City's operations.

Government-wide Financial Statements:

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – are one way to measure the City's financial health.

The government-wide financial statements of the City are divided into three categories:

Government Activities – Most of the City's basic services are included here, such as the public safety, public works, and recreation departments, and general administration. Property taxes, State-shared revenue, charges for services, grants, and transfers provide much of the funding.

Business-type Activities – The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems are included here.

Component Units - The City includes the Tax Increment Finance Authority in its report.

Fund Financial Statements:

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

The City has three kinds of funds:

Government Funds – Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary Funds – Services to which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both short-and long-term financial information.

Fiduciary Funds – The City is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

Financial Highlights:

- Assets of the City exceeded its liabilities at the end of the fiscal year by \$5,162,410 (net assets), an increase of \$377,564 from the previous year. Of the \$5.2 million reported in net assets, approximately \$1.4 may be used to meet the ongoing obligations to citizens and creditors (unrestricted net assets).
- Net assets of our governmental activities increased \$104,297, or 7.86 percent, while net assets of our business-type activities increased \$273,267, or 5.75 percent.
- Unrestricted net assets for governmental activities are 63.3 percent of expenses. Unrestricted net assets for business-type activities are 161.8 percent.
- The General Fund reported expenditures in excess of revenues of \$15,275 for the year. This resulted in a year end fund balance of \$436,412. Of this amount, \$436,412 is unreserved and undesignated, or 67.5 percent of General Fund expenditures.

The City as a Whole:

The City's combined net assets are \$5,162,410 at June 30, 2004. Business-type activities make up \$3.02 million and governmental activities make up \$2.14 million of the total. Future reports will provide an analysis of comparative data from the statement of net assets and statement of activities. Comparative data is not required during the first year of reporting under GASB No. 34, and therefore, a comparative condensed statement of net assets and condensed statement of activities is not part of the management's discussion and analysis.

City of Zilwaukee - Net Assets:

As noted earlier, the City's assets exceed its liabilities at the end of the fiscal year by \$5,162,410 (net assets). However, a major portion (59.43 percent) of the City's net assets represents its investment in capital assets (e.g., land, infrastructure, buildings, and equipment) less any related debt used to acquire or construct these assets. The City uses these assets to provide services to its citizens; thus, these assets are not available for spending.

Unrestricted net assets of the City decreased from \$1,531,032 at June 30, 2003 to \$1,382,539 at the end of this year. This amount represents the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Furthermore, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Zilwaukee - Net Assets

	Governmental	Business-type	
	Activities	Activities	Total
Assets:			
Current and other assets	\$ 1,457,213	\$ 738,012	\$ 2,195,225
Capital assets	882,582	2,729,349	<u>3,611,931</u>
Total assets	2,339,795	3,467,361	5,807,156
Liabilities:			
Long-term liabilities	134,013	410,002	544,015
Other liabilities	70,326	30,405	100,731
Total liabilities	204,339	440,407	644,746
Net assets:			
Invested in capital assets,			
net of related debt	748,569	2,319,347	3,067,916
Restricted	712,055	-	712,055
Unrestricted	674,932	707,607	1,382,539
Total net assets	\$ 2,135,556	\$ 3,026,954	\$ 5,162,510

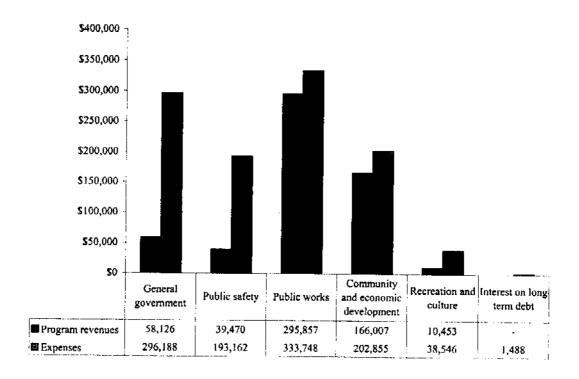
The following table shows the changes in net assets for 2004:

		ernmental ctivities		ısiness-type Activities	Total	
Revenues:						
Program revenues:						
Charges for services	\$	324,449	\$	417,363	\$	741,812
Operating grants and contributions		245,464		-		245,464
Capital grants and contributions		-		242,018		242,018
General revenues:						•
Property taxes		375,224		44,732		419,956
Franchise taxes		18,293		-		18,293
Grants and contributions not restricted to specific programs		193,455		1,768		195,223
Investment earnings		13,399		4,513		17,912
Total revenues		1,170,284		710,394	-	1,880,678
Expenses:						
General government		296,188		_		296,188
Public safety		193,162		_		193,162
Public works		333,748		-		333,748
Community and economic development		202,855		_		202,855
Recreation and culture		38,546				38,546
Interest on long-term debt		1,488		-		1,488
Sewer				214,307		214,307
Water				222,820	_	222,820
Total expenses		1,065,987		437,127	_1	,503,114
Change in net assets		104,297		273,267		377,564
Net assets, beginning of year, as restated		1,327,056	_	2,753,687	_4	,080,743
Net assets, end of year	<u>s</u> :	1,431,353	\$	3,026,954	<u>\$ 4</u>	,458,307

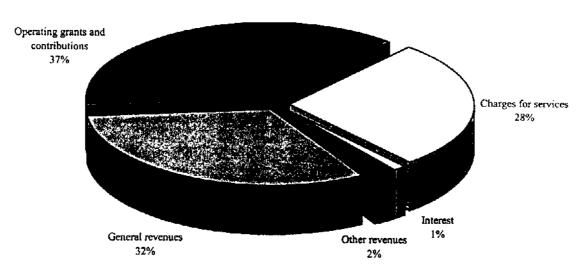
Governmental Activities:

For the year ended June 30, 2004, revenues for the City's governmental activities totaled \$1.17 million. Property taxes accounted for 32 percent of the total revenues, or \$375,224. State-shared revenues were 16.5 percent, or \$193,455; these revenues continue to be a concern as to future funding levels.

Expenses and Program Revenues Governmental Activities



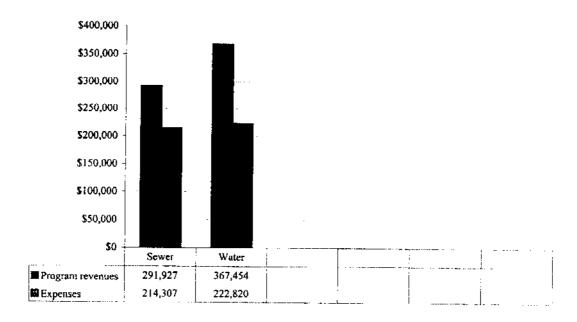
Revenue by Source Governmental Activities



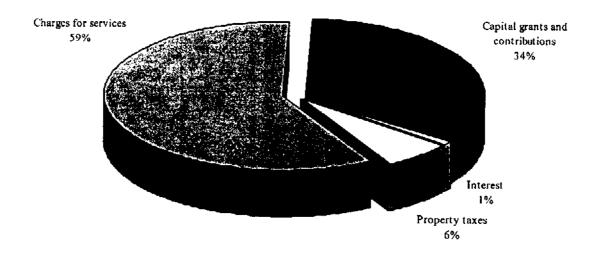
Business-type Activities:

For the year ended June 30, 2004, revenues for business-type activities were \$710,394. Charges for services were 58.75 percent of gross revenues, or 417,363. Interest income on investments was .6 percent of gross revenues, or \$4,513. Property taxes were 6.3 percent of gross revenues, or \$44,732; these property taxes are used to make payments on debt incurred for the sewer system improvements.

Expenses and Program Revenues Business-type Activities



Revenue by Source Business-type Activities



The City has two business type-activities: the sewer and water systems. In total, these two activities generated \$417,363 in charges for services, \$242,018 in Capital grants and contributions and incurred \$437,127 in expenses. In addition, general revenues for business-type activities were approximately \$51,013. The City's business-type activities experienced an increase in net assets of \$273,267 for the year.

Capital Assets and Debt Administration:

At the end of the fiscal year 2004, the City has \$5,658,703 invested, before depreciation, in a wide range of capital assets, including land, land improvements, buildings, equipment, and sewer and water lines. In addition, for the first time, the City is reporting infrastructure assets if any were acquired since July 1, 2003. Infrastructure assets include roads, bridges, sidewalks, storm drains, and other immovable assets. The value of the infrastructure assets, net of depreciation, contained in this report is \$0 at June 30, 2004.

Debt of \$134,013 related to the construction and acquisition of the above-mentioned capital assets is reported as a liability in the governmental activities in the statement of net assets. During the year, the City acquired an installment purchase contract. This contract was used to purchase a fire truck.

Debt related to the sewer and water systems totaling \$410,002 is recorded as a liability in the business-type activities in the statement of net assets. Proceeds from this debt were used for improvements/expansion of the water and sewer system.

The City's Funds:

The fund financial statements provide detailed information on the most significant governmental funds – not the City as a whole. The City Council creates funds to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for 2004 include the General Fund, Major Street Fund, Local Street Fund, Fire Replacement and Stock Building Supply Fund.

The City's governmental funds reported combined fund balance of \$1,386,887 for this year, a decrease of \$111,068 from last year. Included in this increase is the General Fund's excess of revenues over expenditures of \$15,275.

General Fund Budgetary Highlights:

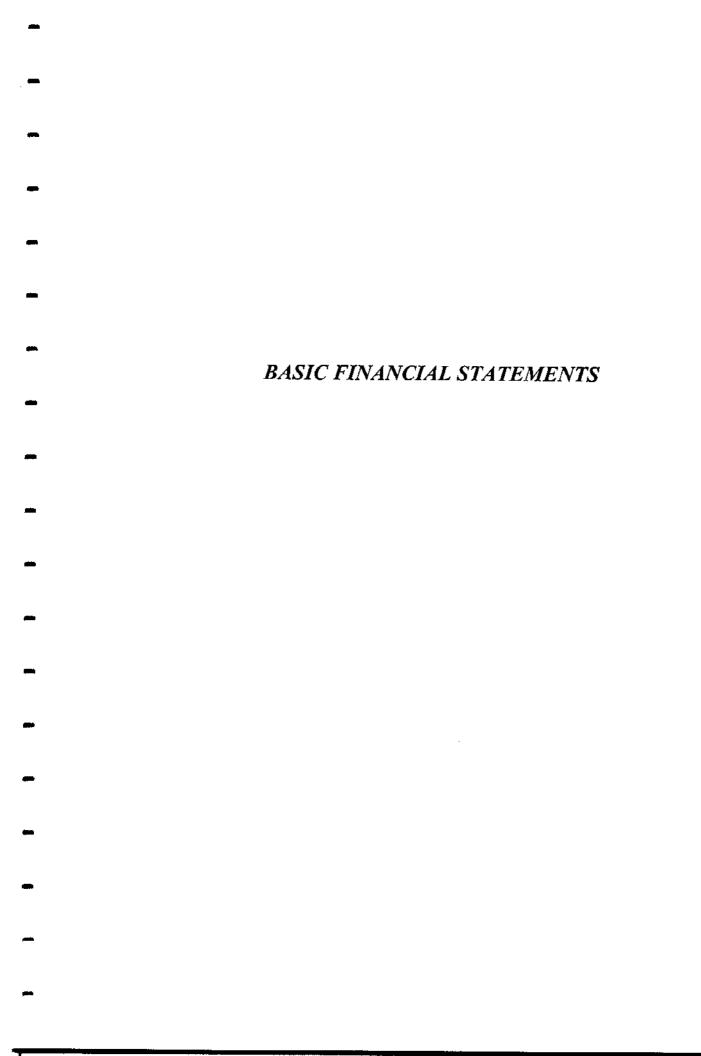
Differences between the original and final amended budgets for revenues and expenditures were relatively minor, except for an increase in the Fire Replacement fund for the purchase of a fire truck and the corresponding debt proceeds that were not included in the original budget.

Economic Factors:

The City continues to maintain positive fund balances in each of its funds. However, concerns arise when considering the revenues and expenses that the City is facing in upcoming years. The major sources of revenue for the City are property taxes, State-shared revenues, and charges for services. These sources have certain limitations outside of the City's control – taxable value of property in the City has remained flat, resulting in small increases in property taxes; the State of Michigan has experienced budget deficits and has reduced revenue-sharing payments to local governments to help in reducing their deficit; and the economy has restricted the City in what it can charge its customers. In comparison, certain expenses continue to rise at a rate higher than inflation (e.g., health care). We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while still providing the City's residents with the same level of service to which they have become accustomed.

Contacting the City's Financial Management:

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robert Moffit, City Manager, 319 Tittabawassee, Zilwaukee Michigan, 48604.



STATEMENT OF NET ASSETS

June 30, 2004

	Pr	nent	Component Unit	
	Governmenta	l Business-type		
	Activities	Activities	Total	TIFA
Assets:				
Cash and cash equivalents	\$ 1,278,930	\$ 604,243	\$ 1,883,173	\$ 3,674
Receivables	167,519		. ,	5,011
Internal balances	(6,943)	,	-> 1,5 .0	_
Prepaid items and other assets	17,707	•	17,707	_
Inventory	· •	-		208,411
Capital assets:				200,111
Nondepreciable capital assets	-	5,204	5,204	64,500
Depreciable capital assets, net	882,582	2,724,145	3,606,727	248,621
Total assets	2,339,795	3,467,361	5,807,156	525,206
Liabilities:				
Accounts payable and accrued expenses	70,326	30,405	100,731	1.044
Long-term liabilities:	. 0,520	20,402	100,751	1,944
Due within one year	48,963	50,993	99,956	196,005
Due in more than one year	85,050	359,009	444,059	544,275
Total liabilities	204,339	440,407	644,746	742,224
Net assets:				
Invested in capital assets, net of related debt	748,569	2,319,347	3,067,916	110 075
Restricted for:	7 10,507	2,317,347	3,007,910	118,865
Capital projects	7,952		7 ()53	
Streets	704,103	-	7,952 704,103	-
Unrestricted	674,832	707,607	1,382,439	(335,883)
Total net assets	\$ 2,135,456	\$ 3,026,954	\$ 5,162,410	\$ (217,018)

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

			_]	_					
	Expenses		C	Operating Charges for Grants and Services Contribution		rants and				t (Expense) Revenue
Functions/Programs PRIMARY GOVERNMENT:										
Governmental activities: General government Public safety Public works Community and economic develop Recreation and culture Interest on long-term debt Total governmental activities	<u> </u>	296,188 193,162 333,748 202,855 38,546 1,488	\$	19,126 6,978 124,385 166,007 7,953	\$	39,000 32,492 171,472 - 2,500	\$	- - - -	\$	(238,062) (153,692) (37,891) (36,848) (28,093) (1,488)
		,065,987	_	324,449		245,464	_		_	(496,074)
Business-type activities; Sewer Water	· , <u> </u>	214,307 222,820	-u <u>-</u>	233,906 18 3, 457		- -		58,021 183,997		77,620 144,634
Total business-type activities		437,127	_	417,363		-	_	242,018		222,254
Total primary government	\$ 1,	,503,114	\$	741,812	\$	245,464	<u>\$</u>	242,018	\$	(273,820)
COMPONENT UNITS: Tax increment finance authority Total component units		646,181 646,181	<u>\$</u> \$	12,710 12,710	<u>\$</u> <u>\$</u>	<u> </u>	<u>\$</u>	<u> </u>	<u>\$</u> \$	(633,471) (633,471)

continued

	Pr	Component Unit		
	Governmental Activities	Business- type Activities	Total	TIFA
Changes in net assets				
Net (Expense) Revenue	\$ (496,074)	\$ 222,254	\$ (273,820)	\$ (633,471)
General revenues: Taxes:				
Property taxes, levied for general purpose				
Property taxes, levied for fire protection	337,997	-	337,997	-
Property taxes, levied for recreation	29,784	-	29,784	-
Property taxes, levied for debt service	7,443	-	7,443	_
Property taxes captured by TIFA	-	44,732	44,732	-
Payment in lieu of property taxes	-	-	-	279,230
Franchise taxes	-	-	-	_
State shared revenues not restricted to	18,293	-	18,293	-
specific programs				
Unrestricted investment earnings	193,455	1,768	195,223	-
Special item - Gain on sale of inventory	13,399	4,513	17,912	609
ar some them a change of the entholy		-	~ 	66,613
Total general revenues, contributions,				
special items and transfers	600,371	51,013	651,384	346,452
Change in net assets	104,297	273,267	377,564	(287,019)
Net assets, beginning of year	1,327,056	2,753,687	4,080,743	70,001
Net assets, end of year	\$ 1,431,353	\$ 3,026,954	\$ 4,458,307	S (217,018)

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2004

Assets:	_	General Fund	_	Major Street Fund	_	Local Street Fund		Fire Replace- ment		Stock Building Supply	G	Nonmajor overnmental Funds	G	Total lovernmental Funds
Cash and eash equivalents	S	362,783	\$	436,762	\$	247,307	\$	159,383	s	7.952	s	64,743	c	1.379.430
Accounts receivable Due from other		7,686		•		-		-		•	-	2,008	,	1,278,930 9,694
governmental units		65,050		62 114								,		,,,,,
Due from other funds		2,258		53,336		6,924		•		-		-		125,310
Prepaid expenditures		7,153		•		22,236		-		-		21,822		46,316
Advance receivable from		1,100		-		•		-		-		10,554		17,707
other funds		32,200		_ _			_	<u> </u>						32,200
Total assets	<u>s</u>	477,130	\$	490,098	s	276,467	\$	159,383	\$	7.053	•		_	
					<u>-</u>	270,117	<u> </u>	127,363	<u> </u>	7,952	<u>s</u>	99,127	<u>\$</u>	1,510,157
Liabilities and														
Fund Balances:														
Liabilitles:														
Accounts payable and accrued expenses														
Due to other funds	\$,	S	38,621	\$		S	2,904	\$		5	16,650	s	70,326
Due to other funds		28,765	_	22,815		828	_	305			_	231	•	52,944
Total liabilities	_	40,718		61,436		1,026		3,209				14 801	_	
							_		_	— `		16,881	-	123,270
Fund balances:														
Reserved for:														
Prepaid expenditures Unreserved:		7,153		-		-		-		_		10,554		12.707
Undesignated,												10,00		17,707
reported in:														
General fund		430.000												
Special revenue funds		429,259				-		-		-				429,259
Capital projects fund		-		428,662		275,441		156,174				71,692		931,969
Capital projects fund	-	 -		<u> </u>		-				7,952				7,952
Total fund balances		436,412		428,662		275,441		156,174		7.053				
Total UL'Pe'		- -	_			<u>,1</u>	_	130,174		7,952		82,246		1,386,887
Total liabilities	_													
and fund balances	<u>s</u>	477,130	<u> </u>	490,098	3	276,467	\$	159,383	5	7,952	Ş	99,127		1,510,157
													_	1,010,107

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2004

Total fu	ınd ba	ılances	for	governmental	funds
----------	--------	---------	-----	--------------	-------

\$ 1,386,887

Total net assets reported for governmental activities in the statement of of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets Less accumulated depreciation

1,246,409

(363,827)

882,582

Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:

Contracts payable

(134,013)

Net assets of governmental activities

\$ 2,135,456

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2004

Danier	General Fund	Major Street <u>F</u> und	Local Street Fund	Fire Replacement Fund	Stock Building Supply	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 337,997		\$ -	\$ 29,784	\$ <u> </u>	\$ 7,443	\$ 375,224
Licenses and permits	25,081		-	-	-	-	25,081
Federal grants	-	38,622		-	89,507	-	128,129
State grants Contributions from other units	193,133	•	46,192	-,	•	284	327,405
	45,257		-	25,000	76,500	-	146,757
Charges from services	21,283		-	-	-	93,044	114,327
Fines and forfeits	135		-	-	-	-	135
Interest and rents	33,954	3,450	-,		-	1,429	43,142
Other revenue	5,226		178	172		4,508	10,084
Total revenues	662,066	128,730	48,202	58,571	166,007	106,708	1,170,284
Expenditures:							
Current:							
General government	145,832	-	_	_	_		146 033
Public safety	164,622			4,464	_	332	145,832
Public works	129,989	67,387	43,423	-	_	86,714	169,418
Community and		,	-,			00,714	327,513
economic development	-	-	_	_	202,855	_	202,855
Recreation and culture	29,350	-	_	-	_02,000	7,995	37,345
Other	144,309	-		_		1,770	144,309
Capital outlay	29,562	-	_	357,043	_	_	386,605
Debt service:				,		_	200,005
Principal	-	-		15,987	-	_	15,987
Interest and charges				1,488	-		1,488
Total expenditures	643,664	67,387	43,423	378,982	202,855	95,041	1,431,352
Excess (deficiency) of							
revenues over expenditures	18,402	61,343	4,779	_(320,411)	(36,848)	11,667	(261,068)
Other financing							
sources (uses):							
Capital related debt issued	_	_	_	150,000			150.000
Transfers in	-	_	21,664	3,127	•		150,000
Transfers out	(3,127)	(21,664)	21,004	2,127	•	-	24,791
	(3,121)	(21,004)					(24,791)
Total other financing	/5 . 5						
sources (uses)	(3,127)	(21,664)	21,664	153,127	-	<u> </u>	150,000
Net change in fund balances	15,275	39,679	26,443	(167,284)	(36,848)	11,667	(111,068)
Fund balances, beginning of							
year, as restated	421,137	388,983	248,998	323,458	44,800	70,579	1,497,955
Fund balances, end of year	\$ 436,412	\$ 428,662	\$ 275,441	\$ 156,174	\$ 7,952	<u>\$ 82,246</u>	\$ 1,386,887

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2004

Net change in fund balances - total governmental funds		\$	(111,068)
Total change in net assets reported for governmental activities in the statement of activities is different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.			
Capital outlay	378,184		
Less depreciation expense	(28,806)		349,378
Debt proceeds are a revenue in the statement of activities			
but are reported as long-term liabilities in the funds.			(150,000)
Repayments of principal on contracts is an expenditure in governmental funds,			
but the payment reduces long-term liabilities in the statement of net assets.			15,987
Change in net assets of governmental activities		<u>\$</u>	104,297

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2004

	Major Ente		
	Sewer Fund	Water Fund	Total
Assets:	***		
Current assets:			
Cash and cash equivalents	\$ 465,085	\$ 139,158	\$ 604,243
Accounts receivable	-	124,826	124,826
Due from other funds	73,238	28,765	102,003
Total current assets	538,323	292,749	831,072
Noncurrent assets:			
Capital assets:			
Nondepreciable capital assets	3,000	2,204	5,204
Depreciable capital assets, net	904,388	1,819,757	2,724,145
Advance receivable from other funds		2,000	2,000
Total noncurrent assets	907,388	1,823,961	2,731,349
Total assets	1,445,711	2,116,710	3,562,421
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	2,738	16,734	19,472
Due to other governmental units	10,933	10,754	10,933
Due to other funds	10,555	95,060	95,060
Current portion of long-term debt	20,993	30,000	50,993
Total current liabilities	34,664	141,794	176,458
Noncurrent liabilities:			
Long-term debt	124,009	235,000	359,009
Total noncurrent liabilities	124,009	235,000	359,009
Total liabilities	158,673	376,794	535,467
Net assets:			
Invested in capital assets, net of related debt	762,386	1,556,961	2,319,347
Unrestricted	524,652	182,955	707,607
Total net assets	\$ 1,287,038	\$ 1,739,916	\$ 3,026,954

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2004

	Major Ente	Major Enterprise Funds		
	Sewer Fund	Water Fund	Total	
Operating revenues:				
Charges for services	\$ 233,906	\$ 168,107	\$ 402,013	
Total operating revenues	233,906	168,107	402,013	
Operating expenses:				
Personnel	23,967	30,546	54,513	
Fringe benefits	1,825	2,336	4,161	
Supplies	396	1,465	1,861	
Contracted services	9,221	1,165	10,386	
Sewage treatment	93,005	-	93,005	
Purchase of water	-	85,608	85,608	
Administrative expense	2,500	2,900	5,400	
Telephone	1,098	-	1,098	
Milcage	300	-	300	
Dues and membership fees	-	57	57	
Education and training	-	192	192	
Printing and publishing	509	-	509	
Utilities	7,501	257	7,758	
Repair and maintenance	25,186	3,903	29,089	
Other services and supplies	968	1,985	2,953	
Depreciation	37,679	72,102	109,781	
Total operating expenses	204,155	202,516	406,671	
Operating income (loss)	29,751	(34,409)	(4,658)	
Non-operating revenues (expenses):				
Property taxes	-	44,732	44,732	
State shared revenue	-	1,768	1,768	
Interest income	3,597	916	4,513	
Rental income	-	15,350	15,350	
Capital contributions for construction- Federal and local	58,021	183,997	242,018	
Interest expense	(10,152)	(20,304)	(30,456)	
Total non-operating revenues (expenses)	51,466	226,459	277,925	
Net income (loss)	81,217	192,050	273,267	
Net assets, beginning of year	1,205,821	1,547,866	_2,753,687	
Net assets, end of year	\$ 1,287,038	\$ 1,739,916	\$ 3,026,954	

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended June 30, 2004

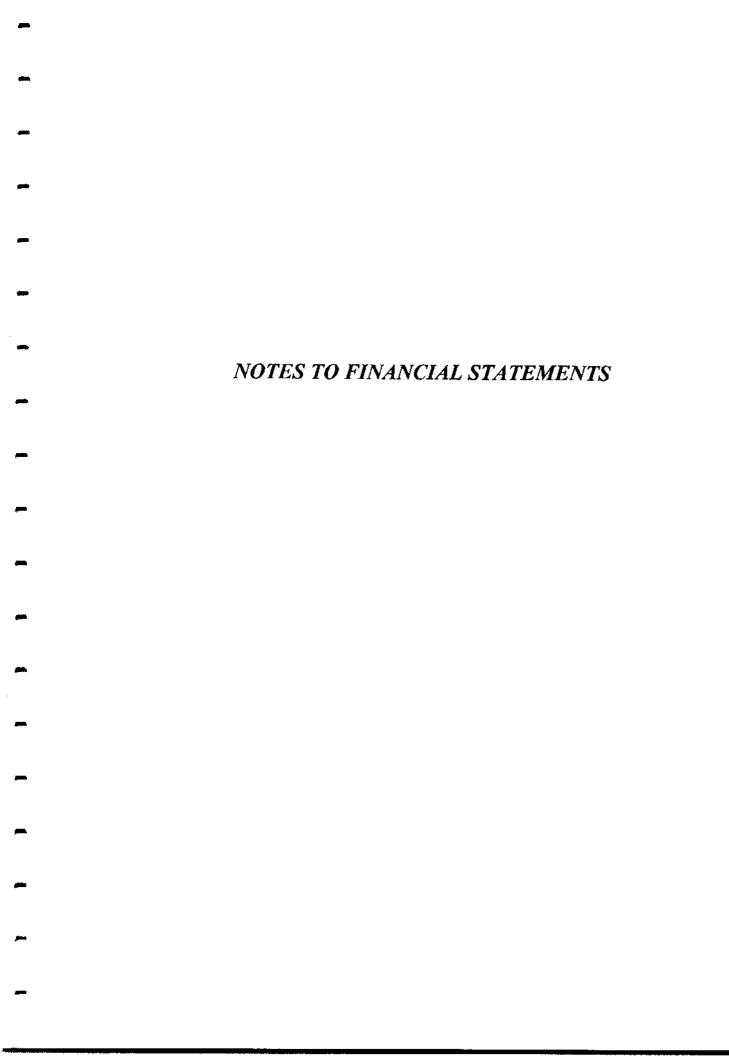
	Business-type Activities				
	Sewer Fund		Water Fund		Total
Cash flows from operating activities: Cash received from customers Cash payments to employees Cash payments to suppliers for goods and services	\$ 233,90 (23,96 (140,00)	7)	166,608 (30,546) (100,447)	\$	400,514 (54,513) (240,449)
Net cash provided (used) by operating activities	69,93	7	35,615		105,552
Cash flows from capital and related financing activities: Property taxes State shared revenues Rental income Contributions Acquisition and construction of capital assets Principal payments Interest paid	58,02 (54,77 (18,666 (10,15)	l)))	44,732 1,768 15,350 183,997 (195,343) (30,000) (20,304)		44,732 1,768 15,350 242,018 (250,114) (48,660) (30,456)
Net cash provided (used) by capital and related financing activities	(25,56)	2) _	200		(87,212)
Cash flows from investing activities: Interest received	3,59	<u> </u>	916		4,513
Net cash provided (used) by investing activities	3,59	<u>,</u> _	916	_	4,513
Net increase (decrease) in eash and eash equivalents	47,972	2	36,731		22,853
Cash and cash equivalents, beginning of year	417,113	<u> </u>	102,427		519,540
Cash and cash equivalents, end of year	\$ 465,085	<u>\$</u>	139,158	<u>\$</u>	542,393
Reconciliation of operating income (loss) to net cash from operating activities					
Operating income (loss):	\$ 29,75	\$	(34,409)	\$	(4,658)
Adjustments: Depreciation Decrease (increase) in current assets:	37,679)	72,102		109,781
Accounts receivable	-		(1,499)		(1,499)
Due from other funds	(1,699))	5,149 -		5,149 (1,699)
Increase (decrease) in current liabilities: Accounts payable and accrued expenses Due to other governmental units Due to other funds	1,563 2,643 -		(8,264)		(6,701) 2,643 2,536
Net cash provided (used) by operating activities	\$ 69,937	\$	35,615	<u>\$</u>	105,552

FIDUCIARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2004

	Agency Funds
Assets:	
Cash and cash equivalents	<u>\$ 34,574</u>
Total assets	34,574
Liabilities;	
Accounts payable and accrued expenses	374
Advance payable to other funds	34,200
Total liabilities	34,574
Net Assets:	
Unrestricted	
Total net assets	\$



NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Zilwaukee was incorporated January, 1964 under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government in which the City Administrator is responsible for implementation and administration of City policy as established by the City Council.

The accounting policies of the City of Zilwaukee conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. The component unit discussed below is included in the City's reporting entity because of their operational or financial relationship with the City.

Discretely Presented Component Units - The component unit column in the combined financial statements include the financial data of the City's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the City. The component unit is described as follows:

Tax Increment Financing Authority - The Authority was established by the City under the authority contained in Act 450, Michigan Public Acts of 1981. The Act authorizes the City to designate a specific district within its corporate limits as a Tax Increment Finance Authority District. The Authority is appointed to preside over this specific district, and it is authorized to formulate plans for public improvements, economic development, neighborhood revitalization, and historic preservation within this area.

The members of the governing board of the Tax Increment Financing Authority are appointed by the City Council. The budgets and expenditures of the Tax Increment Financing Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Tax Increment Financing Authority.

The City is involved in a joint venture -- the Northwest Utilities Authority. See Notes #11 and #12 which discusses the City's involvement in this separate entity.

Basis of Presentation - Fund Accounting:

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

June 30, 2004

Basis of Accounting:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The City does not allocate indirect costs. In creating the government-wide financial statements the City has eliminated interfund transactions.

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net assets resulting from current year activities.

FUND FINANCIAL STATEMENTS:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

June 30, 2004

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The City reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except for those required to be accounted for in another fund.

Major Street Fund – The Major Street Fund is used to account for the maintenance and construction of the City's major street system.

Local Street Fund - The Local Street Fund is used to account for the maintenance and construction of the City's local street system.

Fire Replacement – The Fire Replacement Fund is used to account for the maintenance and purchase of the City's fire vehicles and equipment.

Stock Building Supply – The Stock Building Supply Fund is used to account for the construction costs associated with the Stock Building Supply Capital Project that was funded with Federal funds and local contributions.

The City reports the following major enterprise funds:

Sewer Fund – The Sewer Fund is used to account for the revenues and expenses for the operation of a sewer system.

Water Fund - The Water Fund is used to account for the revenues and expenses for the operation of a water system.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property Taxes – Properties are assessed as of December 31. The related property taxes are billed on the following July 1, are due on September 14, and become a lien on December 1 with the final collection date of February 14 before they are added to the county tax rolls.

The 2003 taxable valuation of the City totaled \$ 37,058,226, on which ad valorem taxes levied consisted of 9.6396 mills for the City's operating and 3.7486 mills for special voted purposes.

The delinquent real property taxes of the City are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

June 30, 2004

Inventories and Prepaid Items — Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets — Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50-100 years
Vehicles	5-25 years
Furniture and other equipment	5-25 years

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

June 30, 2004

Accounting Change:

GASB Statement No. 34 - Effective July 1, 2003, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments. Changes to the financial statements as a result of GASB No. 34 are as follows:

A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations has been included.

Government-wide financial statements prepared using full accrual accounting for all of the City's activities have been provided.

Capital assets in the governmental activities column of the statement of net assets include assets totaling \$1,246,409 previously reported in the General Fixed Assets Account Group. Capital assets at July 1, 2003 previously reported in the General Fixed Assets Account Group have been adjusted by \$309,481 to reflect the historical cost of the City's capital assets at that date. In addition, the governmental activities column includes bonds and other long-term obligations totaling \$134,013 previously reported in the General Long-term Debt Account Group.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. The City Manager submits to the City Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
- 2. A public hearing is conducted to obtain taxpayer comments.
- 3. Prior to June 1, the budget is legally enacted by adoption of the City Council.
- 4. The City Manager is authorized to transfer certain budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
- 5. Formal budgetary integration is employed as a management control device during the year for all funds.
- 6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
- 7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures Over Appropriations in Budgeted Funds:

During the year, the City did not incur expenditures that were in excess of the amounts budgeted.

June 30, 2004

State Construction Code Act:

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at July 1, 2003		\$ -
Current year building permit revenue		6,788
Related expenses:		
Direct costs	9,351	
Estimated indirect costs	2,263	
Total construction code expenses		 11,614
Cumulative surplus at June 30, 2004		\$ -

NOTE 3: DEPOSITS AND INVESTMENTS

The City's deposits and investments at June 30, 2004 are included in the statement of net assets under the following categories:

	vernmental <u>Activities</u>	nmental Business-typ vities Activities		_	tal Primary overnment	Component <u>Unit</u>		
Cash and cash equivalents	\$ 1,278,930	\$	604,243	\$	1,883,173	\$	3,674	

Deposits:

The breakdown between deposits and petty cash for the City is as follows:

		Primary overnment	Component <u>Unit</u>		
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$	1,882,923	\$ 3,674		
Petty eash and cash on hand	_	250			
Total	\$	1,883,173	\$ 3,674		

June 30, 2004

The deposits of the primary government and component unit were reflected in the accounts of financial institutions (without recognition of checks written but not yet cleared or of deposits in transit) at \$ 1,897,331, of which \$ 150,000 is covered by federal depository insurance and the remainder was uninsured and uncollaterized. The City believes that due to the dollar amount of cash deposits and the limits of the FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk each institution; only those institutions with an acceptable estimated risk level are used as depositories. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool.

The City's deposits are in accordance with statutory authority.

NOTE 4: INVENTORY – COMPONENT UNIT

As of June 30, 2004 the Tax Increment Finance Authority had an inventory of land totaling \$ 208,411. This land consists of lots in the industrial park that were purchased and developed for resale. During the current year the Authority sold land with a cost basis of \$69,154.

NOTE 5: CAPITAL ASSETS

Capital assets activity of the City's governmental and business-type activities was as follows:

	Balance July 1,		_	Additions	Disposals and Adjustments		Balance June 30, 2004
Governmental activities:							
Capital assets being depreciated:							
Buildings and improvements	\$	524,162	\$	-	\$	-	\$ 524,162
Equipment		72,254		19,380		-	91,634
Vehicles		271,809	·	358,804			 630,613
Subtotal		868,225	_	378,184			 1,246,409
Accumulated depreciation:							
Buildings and improvements		162,392		6,303		-	168,695
Equipment		33,535		3,644		-	37,179
Vehicles		139,094		18,859		<u> </u>	 157,953
Subtotal		335,021		28,806		-	 363,827
Net capital assets being depreciated		533,204	_	349,378			 882,582
Net governmental capital assets	\$	533,204	\$	349,378	\$		\$ 882,582

June 30, 2004

	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Business-type activities:				
Sewer capital assets:				
Capital assets not being depreciated				
Land	3,000	-	-	3,000
Capital assets being depreciated:				
Equipment	9,888	-	-	9,888
Distribution system	1,520,366	106,765		1,627,131
Subtotal	1,530,254	106,765		1,637,019
Accumulated depreciation:				
Equipment	9,422	254	-	9,676
Distribution system	685,530	37,425		722,955
Subtotal	694,952	37,679		732,631
Net sewer capital assets	838,302	69,086	<u> </u>	907,388
Water capital assets:				
Capital assets not being depreciated:				
Land	2,204	-	-	2,204
Capital assets being depreciated:				
Buildings and improvements	13,423	-	-	13,423
Equipment	25,299	-	-	25,299
Distribution system	2,536,006	195,343		2,731,349
Subtotal	2,574,728	195,343		2,770,071
Accumulated depreciation:				
Buildings and improvements	11,922	136	-	12,058
Equipment	25,299	-	-	25,299
Distribution system	840,991	71,966		912,957
Subtotal	878,212	72,102		950,314
Net capital assets being depreciated	1,696,516	123,241		1,819,757
Net water capital assets	1,698,720	123,241		1,821,961
Net business-type activities capital assets	\$ 2,537,022	\$ 192,327	\$ -	\$ 2,729,349

June 30, 2004

	Ju	lance ly 1, 003	_Additions_		Disposals and Additions Adjustments		Balance June 30, 2004	
Component Units								
Capital assets not being depreciated								
Land	\$	-	\$	64,500	\$	-	\$	64,500
Capital assets being depreciated								
Buildings and improvements		-		242,836		-		242,836
Machinery and other equipment				7,720			_	7,720
Total capital assets being depreciated		-		250,556		-		250,556
Accumulated depreciation				1,935				1,935
Net capital assets being depreciated				248,621			_	248,621
Net component units capital assets	<u>S</u>		\$	313,121	\$		\$	313,121

Depreciation expense was charged to programs of the primary government and component unit as follows:

Governmental activities:		
General government	\$	1,563
Public safety		19,807
Public works		6,235
Recreation and culture		1,201
Total governmental activities	<u>s</u>	28,806
Business-type activities:		
Sewer	\$	37,679
Water		72,102
Total business-type activities	<u>\$</u>	109,781
Component Units:		
TIFA	<u>\$</u>	1,935
Total component units	\$	1,935

June 30, 2004

NOTE 6: LONG-TERM DEBT

The City issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental activities:						
Installment purchase contract -						
Fire truck						
Amount of Issue - \$150,000		#1.C 007 #50 #03	¢	\$ 134,013	\$ 134,013	\$ 48,963
Maturing through 2007	3.10%	\$15,987-\$50,503	\$			
Total governmental activities				134,013	134,013	48,963
Business-type activities:						
Contracts payable -						
Saginaw County						
1990 Northwest Utilities						
Authority Bonds					144.000	20.003
Amount of Issue - \$307,890	5.5%-8.5%	12,080-30,322	163,662	(18,660)	145,002	20,993
Maturing through 2010						
Contracts payable -						
Saginaw County						
1991 Zilwaukee Water						
Supply System Bonds				(20.000)	3/2 000	70,000
Amount of Issue - \$ 525,000	6.0%-10.0%	15,000-45.000	295,000	(30,000)	265,000	30,000
Maturing through 2020						
Total business-type activities			458,662	(48,660)	410,002	50,993
Total primary government			\$ 458,662	\$ 85,353	\$ 544,015	\$ 99,956
Component Units:						
General obligation bond -						
2002 Tax Increment Bonds						
Amount of Issue - \$450,000	4.30%	\$32,842-\$143,929	314,706	(137,935)	176,771	143,929
Maturing through Oct 2005						
Loan Payable - 2001 Strategic Loan						
Amount of Issue - \$369,253	6.00%	\$18,965-\$45,496	369,253	-	369,253	-
Maturing through June 2016						
Land contract payable -						
Building and Land				,	101.55	69 NT/
Amount of Issue - \$220,000	4%-4.75%	\$25,7434-\$57,063	-	194,256	194,256	52,076
Maturing through June 2016						
Total component units			\$ 683,959	<u>s 56,321</u>	<u>\$ 740,280</u>	\$ 196,005

June 30, 2004

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Component Units:						
General obligation bond - 2002 Tax						
Increment Bonds						
Amount of Issue - \$ 450,000						
Maturing through Oct 2005	4.30%	\$32,842-\$143,929	\$ 314,706	\$ (137,935)	\$ 176,771	\$ 143,929
Loan Payable - 2001 Strategic Loan						
Amount of Issue - \$ 369,253						
Maturing through June 2016	6.00%	18,965-45,496	369,253	-	369,253	-
Land contract payable -						
Building and Land						
Amount of Issue - \$ 220,000						
Maturing through June 2016	4%-4.75%	25,7434-57,063	-	194,256	194,256	52,076
Total component units			\$ 683,959	\$ 56,321	\$ 740,280	<u>\$ 196,005</u>

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

Year Ended	Governmental Activities				Business-type Activ				rities		
June 30,	_ <u> </u>	rincipal	1	nterest	 Total		'rincipal		Interest	-	Total
2005	s	48,963	\$	3,462	\$ 52,425	s	50,993	\$	26,706	5	77,699
2006		50,502		1,923	52,425		53,325		23,174		76,499
2007		34,548		403	34,951		58,325		19,315		77,640
2008					-		65,658		15,378		81,036
2009					-		67,990		11,117		79,107
2010					-		68,711		13,139		81,850
2011					 <u>-</u>		45,000		1,620		46,620
	\$	134,013	<u>S</u>	5,788	\$ 139,801	\$	410,002	\$	110,449	\$	520,451

June 30, 2004

Year Ended	Total Primary Government			Component Units											
June 30,			Interest						P	Principal		Interest		Total	
2005	\$	99,956	\$	30,168	\$	130,124	\$	196,004	\$	13,996	\$	210,000			
2006		103,827		25,097		128,924		106,228		6,285		112,513			
2007		92,873		19,718		112,591		85,316		2,937		88,253			
2008		65,658		15,378		81,036		60,684		438		61,122			
2009		67,990		11,117		79,107		31,827		-		31,827			
2010		68,711		13,139		81,850		33,780		-		33,780			
2011		45,000		1,620		46,620		35,853		-		35,853			
2012		· -		-		-		38,053		-		38,053			
2013		-		-		-		40,388		-		40,388			
2014		_		-		-		42,866		-		42,866			
2015		_		-		-		45,496		-		45,496			
2016					_			23,785				23,785			
	<u>\$</u>	544,015	\$	116,237	\$	660,252	<u>\$</u>	740,280	\$	23,656	<u>\$</u>	763,936			

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the City's governmental and business-type activities in the aggregate are as follows:

		ernmental ctivities	Business-type Activities		
Receivables: Accounts Intergovernmental	\$	42,209 125,310	\$	126,826	
Total receivables	<u>\$</u>	167,519	\$	126,826	
Accounts payable and accrued expenses: Accounts Interest Intergovernmental	\$	70,326	\$	13,200 6,272 10,933	
Total accounts payable and accrued expenses	<u>s</u>	70,326	\$	30,405	

June 30, 2004

NOTE 8: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount		
General Fund	Major Street	\$	579	
	Local Street		828	
	Fire Replacement		305	
	Recreation		231	
			1,943	
Local Street	Major Street		22,236	
Refuse Fund	Water Fund		21,822	
Sewer Fund	Water Fund		73,238	
Water Fund	General Fund		28,765	
			148,004	

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

The composition of advances receivable and payable balances at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	_ <u>_ </u>	kmount
General Fund	Agency Funds	\$	32,200
Water Fund	Agency Funds		2,000
		\$	34.200

Management does not anticipate the advance receivable and payable to be paid within one year.

Interfund transfers reported in the fund statements were as follows:

Major Street Fund	Local Street Fund	\$ 21,664	(1)
General Fund	Fire Replacement	\$ 3,127 24,791	(II)

- (I) 25% transfer of Michigan Transportation Funds from Major Street to Local Street
- (II) Funding transfer to cover additional fire equipment purchased.

June 30, 2004

NOTE 9: RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The City has purchased commercial insurance for medical benefits, participates in the Michigan Municipal League risk pool program for workers' compensation. The City manages its liability and property risk by participating in the Township Participation Plan. This insurance provider is a public entity risk pool providing coverage to its members. The City pays an annual premium to this provider for its insurance coverage. This provider is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based on property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The City has a defined contribution pension plan through Benefits Consultants Group, covering all employees who worked at least 1,000 hours in the previous fiscal year, are between the age of 21 and 64, and are employed with the City for more than six months. The City's 2003-04 payroll covered by the plan was \$265,700. Total payroll was \$350,149. The City's pension contribution was \$13,285 for the year. The City's policy is to contribute 5 percent of the annual salaries of covered employees. The plan provides for employees vesting at 20% per year with full vesting after 5 years.

The City has no postemployment benefits plans at this time other than its defined contribution pension plan.

NOTE 11: RELATED PARTY TRANSACTIONS

The City has various transactions with the Northwest Utilities Authority of which the City is a part owner. In this connection:

- (1) The City's share of the sewage treatment and capital improvement expenses for the year was \$93,005 which is included in the Sanitary Sewer Fund's operating expenses.
- (2) The City charged the Northwest Utilities Authority for administrative and accounting services for the year.
- (3) A separate audit financial statement report has been issued for the Northwest Utilities Authority for the year.

June 30, 2004

NOTE 12: COMMITMENTS AND CONTINGENCIES

JOINT VENTURE

On August 3, 1987, the City of Zilwaukee and Townships of Carrollton, Saginaw, and Kochville created the Northwest Utilities Authority. The purpose of the Authority is to acquire, own, improve, enlarge, extend, and operate a sewage disposal system in accordance with State Act 233, PA 1955. The Authority consists of a five person governing body -- one appointed from each municipality, and one person selected at-large.

On May 18, 1990, Under Act 185 of the Michigan Public Acts of 1957, the City of Zilwaukee and Townships of Carrollton, Kochville, and Saginaw and the Northwest Utilities Authority entered into a contract with the County of Saginaw to obtain financing for a joint sewage transmission system.

As a separate unit the Authority operates on a cost reimbursement basis. Costs are prorated monthly among the City and Townships based on metered usage. The City's allocation is approximately 9%.

City of Zilwaukee Sewer Fund payments to the Northwest Utilities Authority during fiscal year 2003-04 were allocated as follows:

Operation & maintenance expenses and repair and replacement costs (sewer treatment expense) Debt service	\$	93,005 28,812
	S	121,817

Each of the Authority's participants has a contingent liability resulting from its secondary full-faith and credit pledge supporting the Saginaw County Bond Issue dated August 1, 1990, in the principal amount of \$3,300,000. This bond issue was subsequently refinanced with the 1997 Sewer Improvement and Refunding Bond Issue dated December 1, 1997.

The annual debt service is allocated to the various participating units. This allocation is based on the aggregate sewage flows from participating units during the three preceding calendar years.

The Northwest Utility Authority is audited separately from the City. The audit report can be obtained from the City of Zilwaukee manager.

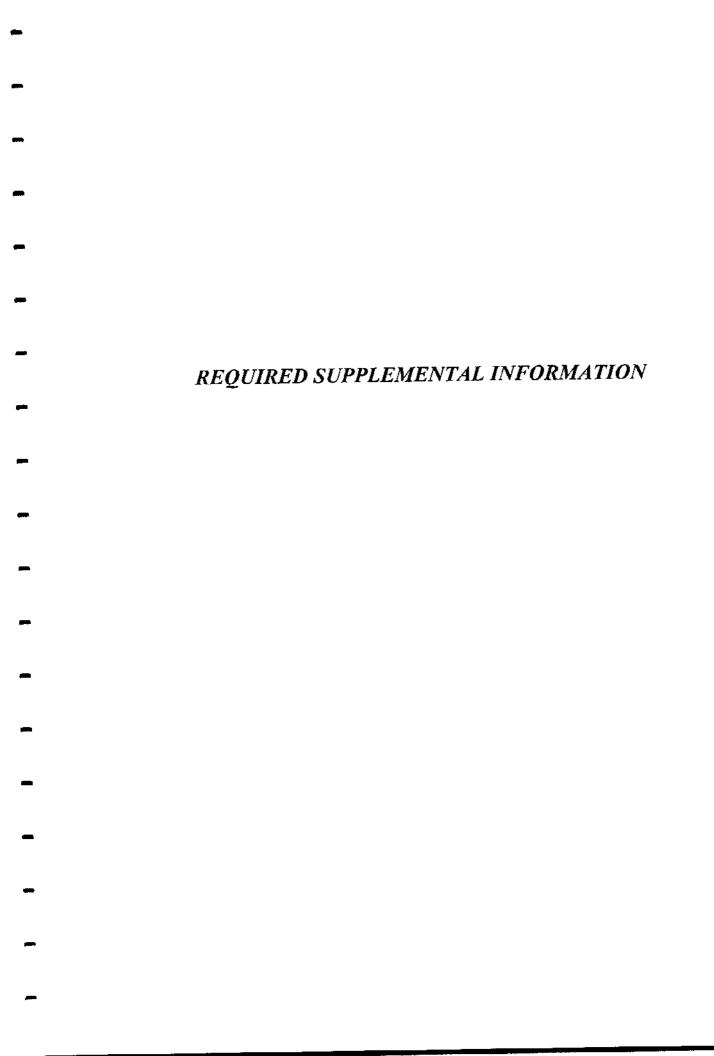
June 30, 2004

NOTE 13: PRIOR PERIOD ADJUSTMENT

Correction of Errors

In the prior year, receivables for the May and June sales tax collections were not recorded. The effect on the beginning net assets of the fund was as follows:

	General Fund
Net assets, beginning of year, as previously stated	\$ 376,764
Prior period adjustments to: Recognize May and June 2003 sales tax collections	44,373
Net assets, beginning of year, as restated	\$ 421,137



BUDGETARY COMPARISON SCHEDULE

	Budgete	ed Amounts		Actual Over (Under)		
	Original	Final	Actual	Final Budget		
Revenues:				- Mar Dadget		
Property taxes	\$ 310,847	\$ 310,847	\$ 337,997	\$ 27,150		
Licenses and permits	26,675		25,081	(1,594)		
State grants	230,005		193,133	(36,872)		
Contributions from other units	28,811		45,257	16,446		
Charges from services	24,900		21,283	(3,617)		
Fines and forfeits	1,000		135	(865)		
Interest and rents	22,700		33,954	11,254		
Other revenue	6,000		5,226	(774)		
Total revenues	650,938	650,938	662,066	11,128		
Expenditures:				-,		
General government	159,806	158,306	145 022	(10.474)		
Public safety	178,585	170,965	145,832	(12,474)		
Public works	177,163	177,163	164,622	(6,343)		
Community and economic development	1,600	1,600	129,989	(47,174)		
Recreation and culture	39,650	39,350	29,350	(1,600)		
Other	155,112	160,108	144,309	(10,000)		
Capital outlay	20,500	29,620	29,562	(15,799) (58)		
Total expenditures	732,416	737,112	643,664	(93,448)		
Excess (deficiency) of				_ 		
revenues over expenditures	(81,478)	(86,174)	18,402	104,576		
Other financing sources (uses):						
Transfers out	(20,655)	(20,655)	(3,127)	(17,528)		
Total other financing sources (uses)	(20,655)	(20,655)	(3,127)	17,528		
Net change in fund balance	(102,133)	(106,829)	15,275	122,104		
Fund balance, beginning of year, as restated	421,137	421,137	421,137	_		
Fund balance, end of year	\$ 319,004	\$ 314,308		\$ 122,104		

SPECIAL REVENUE FUND - MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

	Budgetee Original	l Amounts Final	Actual	Actual Over (Under) Final Budget
Revenues: Federal grants State grants Interest and rents Total revenues	\$ - 88,611 3,500 92,111	\$ - 88,611 3,500 92,111	\$ 38,622 86,658 3,450 128,730	\$ 38,622 (1,953) (50) 36,619
Expenditures: Public works Total expenditures	153,600 153,600	149,436 149,436	67,387	(82,049) (82,049)
Excess (deficiency) of revenues over expenditures	(61,489)	(57,325)	61,343	118,668
Other financing sources (uses): Transfers out Total other financing sources (uses)	(17,500) (17,500)	(21,664)	(21,664) (21,664)	
Net change in fund balance Fund balance, beginning of year	(78,989) 388,983	(78,989) <u>388,983</u>	39,679 388,983	118,668
Fund balance, end of year	\$ 309,994	\$ 309,994	\$ 428,662	\$ 118,668

SPECIAL REVENUE FUND - LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

Revenues:	Budgetee Original	J Amounts Final	Actual	Actual Over (Under) Final Budget
State grants Interest and rents Other revenue	\$ 48,615 2,100 100	\$ 48,615 2,100 100	\$ 46,192 1,832 178	\$ (2,423) (268)
Total revenues	50,815	50,815	48,202	(2,691)
Expenditures: Public works Total expenditures	103,900 103,900	108,064	<u>43,423</u> 43,423	(64,641) (64,641)
Excess (deficiency) of revenues over expenditures	(53,085)	(57,249)	4,779	61,950
Other financing sources (uses): Transfers in	17,500	21,664	21,664	
Total other financing sources (uses)	17,500	21,664	21,664	
Net change in fund balance	(35,585)	(35,585)	26,443	61,950
Fund balance, beginning of year	248,998	248,998	248,998	-
Fund balance, end of year	<u>\$ 213,413</u>	<u>\$ 213,413</u>	\$ 275,441	\$ 61,950

SPECIAL REVENUE FUND - FIRE REPLACEMENT FUND

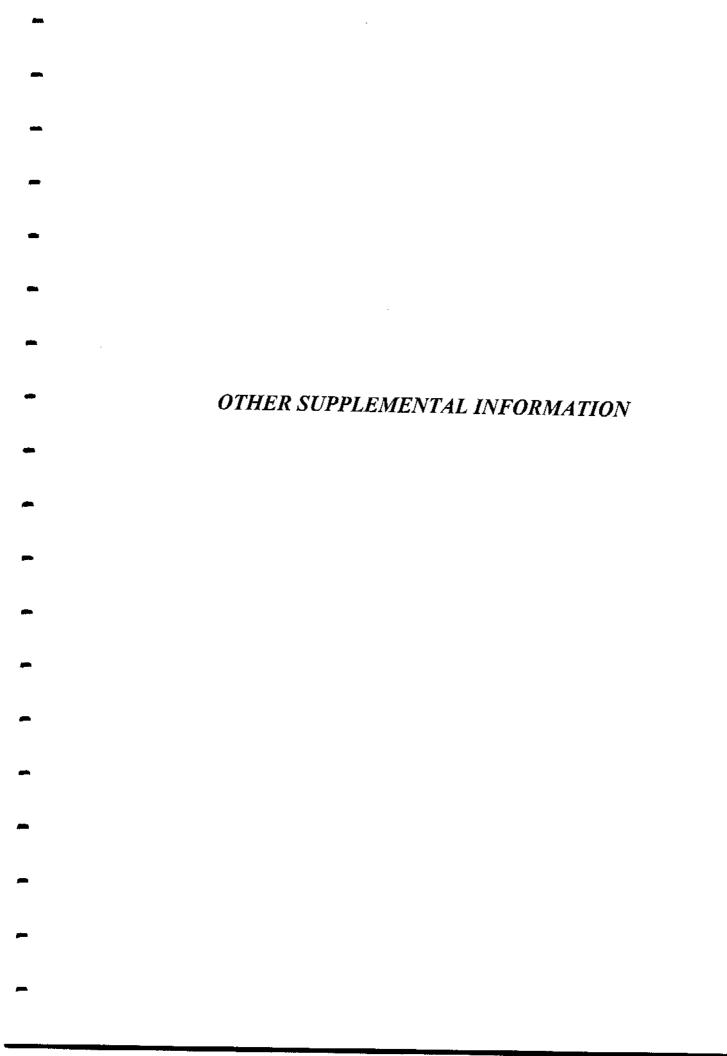
BUDGETARY COMPARISON SCHEDULE

	Budgeted Amounts			
m	Original	Final	Actual	Over (Under) Final Budget
Revenues:				
Property taxes	\$ 26,783	3 \$ 26,811	\$ 29,784	\$ 2,973
State grants	1,138	3 1,138	1,138	-,
Contributions from other units		-	25,000	25,000
Interest and rents	4,000	4,000	2,477	(1,523)
Other revenue	<u> </u>	<u> </u>	172	•
Total revenues	31,921	31,949	58,571	26,450
Expenditures:				
Public safety	8,000	8,000	4.464	(a. a.a. ii
Capital outlay	210,000	.,	4,464	(3,536)
Debt service:	210,000	411,903	357,043	(54,862)
Principal	_	15,987	15,987	
Interest and charges		1,488	1,488	-
Total expenditures	218,000	437,380	378,982	(58,398)
Excess (deficiency) of				
revenues over expenditures	(186,079)	(405,431)	(320,411)	84,848
Other financing sources (uses):				
Debt proceeds		150,000	150,000	
Transfers in	3,155	3,127	3,127	•
Total other financing sources (uses)	3,155	153,127	153,127	-
Net change in fund balance	(182,924)	(252,304)	(167,284)	84,848
Fund balance, beginning of year	323,458	323,458	323,458	
Fund balance, end of year	\$ 140,534	\$ 71,154	\$ 156,174	\$ 84,848

SPECIAL REVENUE FUND – CAPITAL PROJECTS

BUDGETARY COMPARISON SCHEDULE

	Budgeted Amounts						Actual Over (Under)	
Davia	<u>Or</u>	iginat		Final	Actual		Final Budget	
Revenues: Federal grants Contributions from other units	\$	-	\$	-	\$	89,507 76,500	\$	89,507 76,500
Total revenues				<u> </u>		166,007		166,007
Expenditures: Capital outlay		-		_		202,855		101 955
Total expenditures		<u>-</u>				202,855		202,855
Excess (deficiency) of revenues over expenditures		<u>-</u>				(36,848)		(36,848)
Not change in fund balance		-				(36,848)		(36,848)
Fund balance, beginning of year				-		44,800		44,800
Fund balance, end of year	\$		\$	-	\$	7,952	\$	7,952



DETAILED SCHEDULE OF REVENUES

Revenues:	
Current taxes:	
Property taxes	9 215 245
Penalties and interest on taxes	\$ 315,245
Administration fees	5,547
	17,205
Licenses and permits:	337,997
Nonbusiness licenses and permits	
CATV franchise fees	6,788
	18,293
State grants:	25,081
Liquor license fees	
State revenue sharing - sales tax	600
Police grant	192,033
•	500
Contribution from other units:	193,133
Fire protection fees	
Tax Increment Finance Authority - Administration charges	6,257
Northwest Utility Authority - Administration charges	15,000
, and the state of	24,000
Charges for services:	45,257
Recreation fees	
Police services and reports	7,293
Weed control	18
Charges to other funds	72
	13,900
Fines and forfeitures:	21,283
Ordinance fines	
	135
Interest and rents:	135
Interest	
Equipment rental	4,211
Rents	29,083
	660
Other revenue:	33,954
Sale of fixed assets	
Reimbursements	60
Insurance recoveries	2,384
Refunds and rebates	325
Other	388
	2,069
	5,226
Total revenues	\$ 662,066

DETAILED SCHEDULE OF EXPENDITURES

Expenditures:	
General Government:	
Council:	
Personnel	
Contracted services	\$ 3,100
Dues and memberships	1,003
Conference and travel	1,608
Other	1,660
	65
Manager:	7,436
Personnel	
Contracted services	42,184
Dues and memberships	500
Conference and travel	75
	659
Clerk:	43,418
Personnel	
Supplies	3,883
Contracted services	21
Dues and memberships	1,428
Conference and travel	75
Printing and publications	780
Other	1,752
	25
Audit:	7,964
Contracted services	
Contracted Set Arees	6,393
B 1 4-	6,393
Board of Review:	
Personnel	312
Treasurer:	312
Personnel	25 204
Supplies	37,331
Contracted services	5,142
Conference and travel	408
Repairs and maintenance	91
Other	1,530 309
	44,811

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Expenditures:	
General Government, continued:	
Assessor:	
Supplies	
Contracted services	358
Printing and publications	8,695
Other	2,318
	49
Buildings & Grounds:	
Personnel	
Supplies	2,274
Telephone	968
Utilities	4,310
Repairs and maintenance	7,405
•	4,666
Attorney:	19,623
Contracted services	
Contracted services	1,460
	1,460
Community Newspaper:	
Contracted services	2,995
Total consultations	2,995
Total general government	145,832
Public Safety:	
Police:	
Personnel	
Supplies	\$ 68,920
Contracted services	5,826
Telephone	370
Ducs & memberships	2,193
Education & training	200
Repairs & maintenance	827
Other	6,944
	48
	85,328

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Expenditures, continued:	
Public Safety, continued:	
Fire:	
Personnel	31,580
Supplies	2,621
Contracted services	3,697
Telephone	1,318
Dues & memberships	145
Education & training	2,345
Insurance	360
Utilities	5,097
Repairs & maintenance	6,818
Equipment rental	15,350
Other	612
·	69,943
Protective Inspection & Regulation:	
Supplies	220
Contracted services	228
Dues & memberships	9,023
	100
	9,351
Total public safety	164,622
Public Works:	
Department of Public Works:	
Personnel	69,382
Supplies	9,779
Contracted services	171
Telephone	3,567
Conference and travel	200
Utilities	7,154
Repairs and maintenance	7,334
Other	257
	97,844
Sidewalks:	
Personnel	419
Supplies	4,450
	4,869
Drains - Public Benefit, at Large: Personnel	
	1,629
Contracted services	5,263
Repairs and maintenance	22
	6,914

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Expenditures, continued:	
Public Works, continued	
Street Lighting:	
Utilities	19,159
	19,159
Total public works	128,786
Recreation and Culture:	
Recreation/Parks:	
Personnel	10.004
Fringe benefits	19,224
Supplies	1,471
Contracted services	2,228 804
Utilities	4,192
Repairs and maintenance	1,307
Other	124
	29,350
T . 1	
Total recreation and culture	29,350
Other:	
Insurance and Bonds:	
Insurance	4[,323
Employee Benefits:	41,323
Fringe benefits	(7.04)
v	67,944
Retirement:	67,944
Fringe benefits	
Timge outerts	14,923
D. U.T.	14,923
Payroll Taxes:	
Payroli taxes	20,119
	20,119
Total other	
T WYSTE WILLIAMS	144,309

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Capital Outlay:	
General government	4,484
Public safety	25,078
	29,562
Total expenditures	642,461
Other Financing Uses:	
Transfers to other funds	3,127
	3,127
Total expenditures and other financing uses	<u>\$ 645,588</u>

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

	Special Revenue Funds							
	Police Drug Enforcement Fund			creation Fund	Refuse Fund		Total Nonmajor Governmental Funds	
Assets:								
Cash and cash equivalents	\$	-	\$	8,668	\$	56,075	\$	64,743
Accounts receivable		-		-		2,008		2,008
Due from other funds		-		-		21,822		21,822
Prepaid expenditures				-	_	10,554		10,554
Total assets	<u>\$</u>		\$	8,668	\$	90,459	\$	99,127
Liabilities and Fund Balances:								
Liabilities:								
Accounts payable and accrued expenses	\$	-	\$	974	\$	15,676	\$	16,650
Due to other funds		-		231	_			231
Total liabilities		-		1,205		15,676	•	16,881
Fund balances:								
Reserved for:								
Prepaid expenditures		_		-		10,554		10,554
Unreserved:								
Special revenue funds				7,463		64,229		71,692
Total fund balances		-		7,463	_	74,783		82,246
Total liabilities and fund balances	\$		\$	8,668	\$	90,459	\$	99,127

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

	Special Revenue Funds							
	Police Drug Enforcement Fund			creation Fund	Refuse Fund		Total Nonmajor Governmental Funds	
Revenues:								
Property taxes	\$	•	\$	7,443	\$	-	\$	7,443
State grants		-		284		-		284
Charges for services		-		-		93,044		93,044
Interest and rents		-		41		1,388		1,429
Other revenue				2,500	_	2,008		4,508
Total revenues		<u> </u>		10,268		96,440		106,708
Expenditures:								
Public safety		332		_		-		332
Public works		*		-		86,714		86,714
Recreation and culture		-		7,995		<u> </u>	_	7,995
Total expenditures		332		7,995		86,714		95,041
Excess (deficiency) of								
revenues over expenditures		(332)		2,273		9,726		11,667
Fund balance, beginning of year		332		5,190		65,057	_	70,579
Fund balance, end of year	<u>s</u>		s	7,463	\$	74,783	\$	82,246

FIDUCIARY FUNDS - AGENCY FUND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

	July 1, 2003	Additions	Deductions	June 30, 2004
Payroll Withholding Fund				
Assets:				
Cash and cash equivalents	<u>\$ 29,414</u>	\$ 389,636	\$ 389,476	\$ 29,574
Total assets	\$ 29,414	\$ 389,636	\$ 389,476	\$ 29,574
Liabilities:				
Accounts payable and accrued expenses	\$ 214	\$ 389,636	\$ 389,476	\$ 374
Advance payable to other funds	29,200	-	-	29,200
Total liabilities	\$ 29,414	\$ 389,636	\$ 389,476	\$ 29,574
Tax Fund				
Assets:				
Cash and cash equivalents	\$ 5,568	\$ 1,790,021	\$ 1,790,589	\$ 5,000
Total assets	\$ 5,568	\$ 1,790,021	\$ 1,790,589	\$ 5,000
Liabilities:				
Due to other governmental units	\$ 568.00	\$ 1,790,021	\$ 1,790,589	s -
Advance payable to other funds	5,000	-		5,000
Total liabilities	\$ 5,568	\$ 1,790,021	\$ 1,790,589	\$ 5,000
Total Agency Funds				
A goods				
Assets: Cash and cash equivalents	\$ 34,982	\$ 2,179,657	\$ 2,180,065	\$ 34,574
Total assets	\$ 34,982	\$ 2,179,657	\$ 2,180,065	\$ 34,574
Liabilities:			-	
Accounts payable and accrued expenses	\$ 214	\$ 389,636	\$ 389,476	\$ 374
Due to other governmental units	568	1,790,021	1,790,589	3/4
Advance payable to other funds	34,200		-,.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	34,200
Total liabilities	\$ 34,982	\$ 2,179,657	\$ 2,180,065	\$ 34,574

DETAIL DEBT REPAYMENT SCHEDULES

	Interest Rate	Date of Maturity	Principal Due		Interest Due		Total Due	
GOVERNMENTAL FUNDS	3:							
2004 Installment Purchase Conta Dated February 11, 2004, Or \$150,000 due in monthly pay March 11, 2004 to February Original loan repayment follo	iginal amous ments of \$4 11, 2007.							
	3.10%	2005 2006 2007	\$	48,963 50,502 34,548	\$	3,462 1,923 403	\$	52,425 52,425 34,951
Total Governmental Funds			\$	134,013	\$	5,788	\$	139,801
ENTERPRISE FUNDS:								
Saginaw County Northwest Uti Bonds, Dated 8/1/90, Origina \$3,300,000, City Share - \$30 (These bonds were refinanced a refunding bond issues)	al Total Áme 07,890	ount -						
	6.90% 5.75 5.50 5.50 5.50 5.50	5/1/05 5/1/06 5/1/07 5/1/08 5/1/09 5/1/10	\$	20,993 23,325 23,325 25,658 27,990 23,711	\$	8,924 7,476 5,901 4,618 3,207 8,279	\$	29,917 30,801 29,226 30,276 31,197 31,990
Saginaw County Zilwaukee Wa System Bonds, Dated 4/1/91, Total Amount - \$525,000		_		145,002		38,405		183,407
	6.90 7.00 7.05 7.10 7.15 7.20 7.20	9/1/04 9/1/05 9/1/06 9/1/07 9/1/08 9/1/09 9/1/10		30,000 30,000 35,000 40,000 40,000 45,000		17,782 15,698 13,414 10,760 7,910 4,860 1,620		47,782 45,698 48,414 50,760 47,910 49,860 46,620
Total Enterprise Funds			\$	265,000 410,002	\$	72,044 110,449	\$	337,044 520,451

CITY OF ZILWAUKEE

DETAIL DEBT REPAYMENT SCHEDULES, continued

	Interest Rate	Date of Maturity	Principal Due		•		Total Due			
COMPONENT UNIT:										
2002 Tax Increment Bonds, D Original Amount \$450,000	ated 5/31/02	,								
	4.3% 4.3 4.3	10/1/04 4/1/05 10/1/05	\$	71,199 72,730 32,842	\$	3,801 2,270 706	\$	75,000 75,000 33,548		
				176,771	·····	6,777		183,548		
2003 Land Contact Payable, Dated December 18, 2003, 6 \$220,000 with monthly equal January 19, 2004 to June 19 Original loan repayment follows:	al payments f , 2007. lows:	rom								
	4.75%	2005 2006 2007		52,075 54,421 57,063		7,925 5,579 2,937		60,000 60,000 60,000		
		2008		30,697 194,256		438 16,879		31,135 211,135		

CITY OF ZILWAUKEE

DETAIL DEBT REPAYMENT SCHEDULES, continued

June 30, 2004

Interest Rate	Date of Maturity	Principal Due		Interest Duc		Total Due	
001 Michigan Strategic Loan, Dated June 2001, Original amount of \$369,253 (plus \$104,099 accrued interest for the period July 2002 through Septemb 1, 2006) with quarterly equal payments fr September 1, 2006 to June 30, 2016. Original loan repayment follows:	ocr						
6.00%	2005						
0.00%	2005 2006		19.065	-			
	2007		18,965	-		18,965	
			28,253	-		28,253	
	2008		29,987	-		29,987	
	2009		31,827	-		31,823	
	2010		33,780	-		33,780	
	2011		35,853	-		35,853	
	2012		38,053	-		38,053	
	2013		40,388	-		40,388	
	2014		42,866	-		42,866	
	2015		45,496	-		45,496	
	2016		23,785	 		23,785	
			369,253			369,253	
Total Component Unit		\$	740,280	\$ 23,656	\$	763,936	

In connection with the Michigan Strategic Loan agreement, the City may receive a reduction in the interest to be paid on this loan. This will depend on the number of net new jobs created as a result of this loan/project. This loan was funded by federal CDBG monies passed through the State of Michigan to the City of Zilwaukee. The City and the City of Zilwaukee Tax Increment Finance Authority have an agreement whereby the TIFA will be responsible for repayment of this loan.



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(989) 791-1555 Fax (989) 791-1992

MANAGEMENT LETTER

To the Honorable Mayor and City Council City of Zilwaukee, Michigan

We have completed our audit of the financial statements of the City of Zilwaukee for the year ended June 30, 2004, and have issued our report thereon dated September 30, 2004. As part of our examination, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The City's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the City of Zilwaukee taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses.

This report is intended solely for the use of the City management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

Berthiaume & Company

Certified Public Accountants

Retthraine & Co.

September 30, 2004